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GOVERNOR

# BUDGET CRISIS: HOW DID WE GET HERE?

## WHY ARE WE FACING SUCH DIRE CIRCUMSTANCES WITH THE STATE'S BUDGET?

The national economy entered a recession nearly two years ago, signaling the end of the longest economic expansion in U.S. history and signifying the beginning of the worst financial crisis among the states since World War II. Idaho and every other state are facing budget shortfalls, the combined national total for FY03 and FY04 could exceed \$90 billion. How has Idaho responded?

### What are the facts?

- Before the recession began, Governor Kempthorne sought to stimulate the economy with record tax relief measures in 2001. In his tenure in office, the Governor has signed 48 measures that either cut taxes or created significant tax incentives.
- Since the recession began, Governor Kempthorne has repeatedly made cuts in state government that resulted in \$200 million in reduced spending. Many agencies have been cut by as much as 10%.
- While state unemployment has gone up 1.3%, the Governor has reduced the number of full-time state employees by 2%. The Governor has reduced the size of government, just as the private sector has had to reduce their workforce.
- In the current fiscal year, the Governor ordered holdbacks of 3.5%, but because of his commitment to Idaho's children, he exempted public schools and higher education.
- After several rounds of cuts, Governor Kempthorne and the Legislature agreed to drain all reserves rather than raise taxes. The Governor tapped the Permanent Building Fund, the Millenium Fund (Tobacco Settlement) and the Rainy Day Fund (Budget Stabilization Account).
- All reserves have been depleted, leaving a \$200 million shortfall in FY 2004.

### What are the options?

- ☐ Cut programs and services including education, health care for seniors, veterans and the disabled, and public safety by \$200 million.
- ☐ Raise revenue to maintain current operations.